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A New Concept of Full Employment

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A NEW CONCEPT OF FULL EMPLOYMENT

Lei Delsen¹

Abstract

The target of full employment depends upon the goals regarding labour force participation rates, the length of the workweek and the frictional unemployment. Although nearly all social groups agree that stronger economic growth would contribute most towards solving the unemployment problem, the prospects for a return to the conditions prevailing before 1973 are poor. I argue that a general saturation, demographic developments and environmental problems may cause bottlenecks for economic growth. Important changes in the labour supply and in the sectoral distribution of employment are taking place away from the full-time, full year concept. Also advances in information technology make it imperative to reexamine the old concept of full employment. A new full-employment concept is proposed including a legal right to a basic amount of employment, i.e. at least part-time employment, combined with a right to a (partial) basic income. It is argued that this new fullemployment concept not only is economically efficient, it also is socially desirable.

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1. Introduction

Full employment is a condition sine qua non for sustained welfare states. In the standard neoclassical economics, institutions are mostly seen as market distortions and impediments to adaptability. The basic starting point of those analysis is that institutions and (social) policy arrangements do have detrimental effects: there is a trade-off between economic and social targets (Okun, 1975). The growth of inequality is considered to encourage economic efficiency. However, (labour) market institutions and regulations or government interventions are not simply sources of inertia and resistance to adaptation; they may actually act as the very vehicles for innovation and change (Baily et al., 1993; Delsen, 1995; Freeman and Soete, 1987; 1994; Schmid, 1994). In Europe the high unemployment rates and the high rates of technological progress have the same driving force: high wages force entrepreneurs to innovate so as to economize on expensive workers. In the United States growth is achieved very largely through extra jobs and other material inputs. Thus output turns out to be no lower in Europe, despite rising unemployment. In Japan the growth rates of income per capita are twice as high as in Europe and the United States (Alogoskoufis et al., 1995). The 'flexible rigidities' partly explain the high Japanese performance. There is a strong incentive to diversify into some new product line in order to get the best out of workers who have to be employed anyway. Life-time employment engenders high levels of trust and cooperation between manager and worker, easing the process of change and adjustment (Dore, 1986).

The current high level of structural unemployment in Europe is the result of a welfare system that has prevented the wage adjustment necessary to accommodate the technologically induced shift against unskilled labour. Although deregulation, immediate wage adjustment, the reduction of benefits etc. may lead to a fall in unemployment, they will also lead to simultaneously rising income inequalities, increase in the number of low-paid and unstable jobs and hence working poor (Alogoskoufis et al., 1995; Delsen, 1995; Freeman and Soete, 1994). Alogoskoufis et al. (1995) conclude that inevitably the choice between the different labour market models involves value judgement over the appropriate distribution of income.

However, apart from the equity argument there also is the dynamic efficiency argument against deregulation and flexibilization. It will lead to a low productivity, low technology, low growth and a dual economy. In conventional economic thinking low productivity leads to low compensation. However, this causality can also run in the opposite direction: access to labour at low compensation in the United States makes the search for productivity increases unnecessary for the employers. The United States also suffer a serious loss of international competition partly due to a serious and widening technological gap in relation to Japan and Europe (Alogoskoufis et al., 1995; Delsen, 1995; Freeman and Soete, 1987; 1994). The question, then, arises, as to which policy mix or institutional arrangements will allow for more individual choice and will make the best use of the available labour resources both in the short and long term, and that produce

both efficiency and equality, i.e. full employment and a fair distribution. Up till now the concept of full employment mainly refers to full-time and full year wage employment. It is the latter that still is the standard in business and industry as well as within labour law, collective bargaining and social security.

This article discusses the consequences and the feasibility of this old full-time full employment principle against the background of the changing demographic composition of the labour force in all OECD countries, the internationalization of the economies, the persistent unemployment, notably in Europe, the establishment of the European internal market, and new technology. In the following Section 2 full employment is defined. The target of full employment depends upon assumptions or goals regarding labour force participation rates, the length of the workweek and the frictional unemployment. It is argued that full employment needs a revision, taking into account the decreasing economic growth rates, technological change and the changes in the preferences and composition of the labour force. The next two Sections 3 and 4 discuss a basic employment right and a basic income right. In the final Section 5 conclusions are drawn. I propose a new full employment concept, based on the complementarity of efficiency and equality, providing both for a higher utilization rate of available labour resources and a more flexible labour market. This new full-employment concept includes at least part-time employment - a basic employment - for all people in the labour force, combined with a (partial) basic income.

2. Full Employment Needs Revision

The level of labour participation at which the target of full employment is reached is a variable one. The present individualization trend implies that reaching full employment becomes more difficult: a higher labour participation rate is needed to reach full employment. The for full employment desired future labour participation rate not only will be higher than the present one, but certainly higher than the one during the 1960s. In the 1960s full employment was reached with a relative low labour participation rate. Full employment was adopted as a policy goal in the early post-war period: all those who wished to find employment at prevailing wage rates were to be able to do so. Social security, health care, education and old age pension schemes were largely framed on the basis of the traditional family and the close link of its single (male) earner with regular employment. By offering all breadwinners the opportunity to support their families, full employment ensured that mass poverty was largely eliminated. The traditional model of employment relationship was characterized by the fact that the worker had only one employer, worked full time on the employer's premises and (was) expected to continue doing so indefinitely. Where these conditions were present and employment was protected by the law the worker enjoyed statutory entitlements to a whole series of guarantees and benefits; at the same time the law imposed a number of contributions and obligations on the employer and the state. Full wage employment eventually became the standard in business and industry as well as the framework within which labour law, collective bargaining and

social security and pension systems developed. This model of full-time wage employment survived until the 1970s, when the world of work witnessed the emergence of atypical employment characterized by the absence of one or more of the standard features.² The growth of atypical employment mainly resulted from a decline of full-time employment in manufacturing and a rise of regular part-time employment in services and not from the spread of temporary employment (See Delsen, 1995). The search for independency has lead to greater number of single-person households and resulted in a diversity of employment patterns. The enormous growth of part-time and temporary employment, implies that these forms of work are becoming typical. However, labour law, social security and pension systems in Europe, Japan and the United States still are structured around full-time full wage employment (Delsen, 1995). The exclusion of atypical employment from these systems results in an increase in marginal jobs and creates both external and internal labour market segmentation.

² Atypical employment relations can be defined as employment relations that deviate from full-time open-ended wage employment, including part-time work, labour on call contracts, min-max contracts, fixed-term contracts, seasonal work, agency work, home-based work, telework, apprenticeship contracts, freelancers, self-employment and informal work.

2.1 Decreasing Growth Rates

A major challenge for labour market policy in the OECD Member Countries for the 1990s and beyond, is to increase labour force participation rates and the employment/population ratio. The latter require employment growth, for else, it shifts the present and future labour market problems fully to those not active in gainful employment. Moreover, employment growth is necessary to earn back the investments in human capital. There is a slowdown in productivity growth from the early 1970s onwards in the European Union, Japan and the United States. Moreover, productivity growth in Japan exceeded that in the European Union and in the European Union that in the United States throughout the period (Alogoskoufis et al., 1995). Productivity growth and economic growth are linked. The present unemployment in the OECD Member States has its root in the slowdown of productivity growth (Alogoskoufis et al., 1995; OECD, 1994a). Policies to raise the rates of economic growth are considered a key element in solving the problems of high unemployment (CEC, 1993; ILO, 1995; Kreisky, 1989; OECD, 1994c). Although nearly all social groups agree that stronger economic growth would contribute most towards solving the unemployment problem, the prospects for a return to the conditions prevailing before 1973 are poor. The present economic growth rates in the OECD Member States are far from adequate to bring back full employment. Economic growth rates (between 3 and 5 percent) needed to restore full employment (ILO, 1995; Kreisky Commission, 1989) seem unattainable. Moreover, taking into account the heterogeneity of the labour

force, higher growth is a necessary but insufficient condition to bring unemployment down. Left to itself the market tends to produce and reinforce inequalities - between those in and out of work, between strong and disadvantaged groups in the labour market, between regions and countries. Particularly vulnerable are the unskilled, older workers, disabled persons and minorities, especially in depressed regions. Non-intervention is likely to result in slower adjustment at higher social costs. Even rapid economic growth may leave many unemployed people untouched, resulting in segmented labour markets.

Up till now the concept of full employment mainly refers to full-time and full year wage employment. However, taking into account the limits to economic and employment growth, full-employment in the old sense will not be feasible in the future, in spite of a reduction in the number of young people entering the labour market, due to the increased productivity and the substitution by capital of labour. There are many reasons for the lower rates of economic growth per capita (Delsen, 1995). A general saturation which expresses itself in both lower fertility and lower economic growth; reduced population growth will lead to lower rates of growth of the national income per capita: lower consumption leads to lower investment and by a negative acceleration principle economic growth per capita is reduced. Much of the expenditure on children is in the form of investment in human capital. Thus, a reallocation of resources towards older dependents may lower the future rate of economic growth. Demographic developments may also cause bottlenecks for economic

growth; the decreasing natural growth rate in the labour force implies physical upper limits for the pace of growth in employment and production. Not only demographic developments, but also the increasing awareness of environmental problems, may cause bottlenecks for economic growth. This implies that redistribution of employment is a relevant policy option.

2.2 New Technologies

The employment impact of the introduction and adoption of new technologies depends to a great extent on the strength of overall demand and the growth path of the economy (CEC, 1993; OECD, 1994a). By definition productivity growth will lead to less or negative employment growth, unless the increased productivity also leads to product innovation and/or is combined with sound marketing policies (CEC, 1993; OECD, 1994a). It is often argued that in the medium and long term technical change and full employment are fully complementary. However, technological change is an enabling factor, it does not determine in itself growth and employment performance. In fact, insufficient aggregate demand is one of the crucial bottlenecks in preventing a return to full employment. Macroeconomic effect studies of technology on employment show that employment expansion can only be expected when a strong aggregate demand is available (Freeman and Soete, 1987; OECD, 1994a).

The advances in information technology make it imperative for our societies carefully to re-examine the concept of full employment. In the thirty years after World War 2, the increase in demand for labour-intensive services such as health and education and other services characterized by high income elasticities made it possible for these sectors to absorb more labour than was shed from agriculture and manufacturing. The strongest growth over the past 20 years is found in the rapid growth in finance, insurance, real estate and business, and community, social and personal services. Most service sectors employment growth was demand driven. In the OECD countries, the service sector is responsible for over 60 percent of GDP and total employment and has been the principle source of net job gains over the 1980s. By its very size, the service sector will have to play a decisive role in job creation and the reduction of unemployment. The extent to which OECD countries can rely on the service sector as a source of employment depends on many assumptions about the future: changes in income, the rate of innovation and diffusion of technology and the overall growth rate of the economies (Freeman and Soete, 1987; 1994; OECD, 1994a). Information technology will have a larger relative impact on the service sector than on any other part of the economy. The impact of technology on the structure of employment is more important than the level.

One of the most serious current challenges in the OECD area is the trend shift in the composition of the demand for labour away from unskilled labour and towards skilled labour (OECD, 1994a). At present, job destruction (process innovation) is higher than job creation (product innovation and demand) (CEC, 1993). From the preceding Sections it is also clear that the economic growth and the income per capita show a decreasing trend in Europe, Japan and the United States. While over the past two decades, the service sector has unquestionably proved prolific as a creator of jobs, current and foreseeable restructuring in certain branches of the service sector (e.g. banks and insurance) is going to result in job losses which will not necessarily be offset by job-creation in other branches. To say nothing of further substantial job losses in the years to come in industry and agriculture. In fact it is the wave of new technologies (electronics, computers and biotechnology) that are applicable to almost all parts of the economy - agriculture, manufacturing, business services such as banking, insurance and retail trading and in public services such as health - that unlike the past will create only few new jobs and result in high levels of structural unemployment.

The growing competition created by the internationalization of economies and the growing European Union implies that international differences in the patterns of employment and unemployment increasingly depend on the capacity of national economies to innovate and to absorb new technology. Human capital will become more important in explaining international trade (Baily et al., 1993). A substitution of

functional flexibility³ for the present numerical flexibility⁴ is important, and will become more important in the future, due to new technologies, demographic developments and the internationalization of the economies. Numerical flexibilization may result in higher mobility rates. On the other hand, job stability stimulates the needed investment in human capital both by employers and employees. International evidence shows a clear link between employment stability and skill training (Delsen, 1995; Freeman and Soete, 1994). Permanent part-time employment can play an intermediate position between permanent fulltime and flexible labour, i.e. connecting short-term numerical and long-term functional flexibility, by combining the advantages of both forms of flexibility and excluding their disadvantages.

³ Functional flexibility is ability of firms to organize jobs so that the jobholder can deploy his or her skills across a broad range of tasks. This option may be referred to as the internal labour market strategy. Labour is treated as more homogeneous and changes in skill requirements are achieved mainly through retraining, redefinition of occupations and re-assignment of workers.

⁴ Numerical flexibility is the ability of firms to vary the number of workers (external numerical flexibility), or the level of worked hours (internal numerical flexibility), in line with changes in the level of demand for them, i.e. the workload. This option may be described as the external labour market strategy: changes in the product mix or production functions are achieved by shedding labour with obsolete skills and hiring those with skills in demand.

2.3 Increasing Supply of Part-time Labour

One can also question the political aim of full employment, for do we still all want a full-time job, or are we satisfied with a part-time job? In most if not all OECD countries paid work still has an important meaning and its importance even grows. The net increases in female labour market participation confirm this. Most of the recent increase in paid work comes from people previously engaged in unpaid work. However, there are considerable changes in the preferences related to the form, i.e. the volume and the duration of the paid work. No longer everybody already in or entering the labour market wants to work full-time, full year. Part-time work is increasingly preferred, notably by women who entered the labour market over the past two decades, but also by older workers who want to phase into retirement (Delsen, 1995; Delsen and Reday-Mulvey, 1996; Freeman and Soete, 1994). Others, e.g. young people, may prefer to work on a temporary basis for regular or irregular periods. Unpaid work has low ascribed status. Paid work has direct utility, purchasing power and indirect utility, including the provision of temporal organization, framework for sociability, and the ascription of status. It may be the loss of these utilities that causes the frequently observed physical and psychological breakdowns among unemployed workers. The increase in the value attached to paid employment will be strengthened by the reduction in social security benefits (Delsen, 1995; Freeman and Soete, 1987; Kreisky Commission, 1989).

In Australia, Europe, Japan as well as North America the large majority of the individuals who work part-time do so voluntarily. Voluntary part-time work means that supply-side rather than demand-side factors on the labour market explain the development in part-time working. Temporary jobs are to a great extent involuntary. The growth of part-time work largely reflects the preferences of workers, accommodated by employers, rather than the other way around, while employers are the most important factor behind the growth of temporary working (See Delsen (1995) for evidence).

The ageing of the labour force will cause bottlenecks in the provision of personnel, and even now, shortages already exist for certain parts of the labour market. This is certainly the case in Japan and in various European countries, including Germany, the Netherlands and in the United Kingdom and in the United States. Part-time employment plays a role here. The ageing of the labour force will demand that in the future, older workers remain in service for as long as possible and with the requisite level of productivity. Part-time work can offer, in many cases, a good solution to the problems associated with the functioning of older and disabled workers. Job-sharing may be or become important related to gradual retirement. The absence of gradual retirement has been one of the causes of the low participation rate of older workers. Gradual retirement constitutes a flexible extension of working life, and should be promoted as such (Delsen and Reday-Mulvey, 1996). The increasing labour market participation of (married) women, resulting in a rising demand for part-time jobs, also implies that (in the future) the promotion of

parttime work will become relevant (again). A smooth functioning of OECD societies in the 1990s and beyond depends on recognizing women as principle economic actors and enabling them to realize their untapped potential. It challenges the assumption that (gender) equity and efficiency are mutually exclusive. However, meeting the twin goals of equity and efficiency requires significant changes in the 'system', including the promotion of part-time employment and improving the conditions of atypical employment (OECD, 1991). Due to the ageing of the labour force the number of (partially) disabled persons will increase. The increased supply of part-time labour offered by the partially disabled will make part-time jobs more desirable, and will help to avoid future (hidden) unemployment.

3. Basic Employment Right

From previous sections it may be concluded that the important aim of economic policy - full employment - needs a revision, taking into account the mentioned changes in the demand and supply-side of the labour market. Moreover, the old full-time full employment concept results in a permanent exclusion of certain groups in the labour market: those receiving social benefits, young students, mothers with children, disabled workers and older workers (Kreisky Commission, 1989; OECD, 1991). Based on the efficiency-equality trade-off, it created hysteresis of the natural rate of

unemployment⁵, reduced effective labour supply and resulted in segmented labour markets, representing a valuable production capacity that is wasted. Moreover, in Europe, Japan and the United States, atypical employment contracts often are excluded from coverage by the system of social security coverage and/or protection against dismissal and other fringe benefits. A new full employment concept is needed, based on the complementarity of equality and efficiency, that fits the desire to increase labour market participation rates, i.e. to improve the labour utilization rates and that contributes to, not hampers, the flexibility of the labour market. This concept could very well be part-time employment - a minimum amount of employment - for all people in the work force, i.e. high employment/populations rates, guaranteed by the governments (Delsen, 1995; Giarini and Stahel, 1993). Hence, in the new governmental policy of full-employment at least a part-time jobs is guaranteed. Also the notion of unemployment is defined in relation to this basic amount of part-time employment. A legal right to parttime employment could be a first step into this direction. The public sector acts as the employer of last resort. The insider-outsider theories offer an explanation for why

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The hysteresis effect denotes cases where the natural or equilibrium level of unemployment (a proxy for the unemployment due to market imperfections) is a function of past unemployment. Various factors can be mentioned to explain this duration dependency: human capital losses associate with longterm unemployment, no influence on wages, signalling (discrimination, unemployment duration as a screening device), decreased search activity and sorting.

parttime employment or job-sharing is not a pervasive response to involuntary unemployment (Lindbeck and Snower, 1988). A (legal) right to part-time employment reduces the insiders' power, i.e. the incumbent workers, and hence may make a significant contribution to the expansion of secure part-time employment.

Due to part-time employment the economic growth-employment relationship (elasticity) will be considerably higher. However, part-time employment on the other hand can be expected to have a dampening result on the business cycle effect on unemployment. Economic growth will have less impact on unemployment rates and participation rates when existing part-time jobs are transformed into full-time jobs, instead of hiring additional unemployed persons. In a downturn the reverse may happen, when part-time employment is used to avoid dismissals. The latter is certainly the case when there is a right to work part-time. But there are short-term advantages as well. Unemployment will be less measured in persons, it allows certain groups in the labour market to participate and to remain in employment, i.e. contributes to avoiding hysteresis in the labour market, as Sweden's experience shows (Delsen, 1995). Thus, the promotion of part-time employment increases both the short-term labour demand and the long-term labour supply flexibility.

Part-time work is considered to reduce the volume of hours worked, and thus to reduce effective labour supply. However, the total volume of labour supply is a combination of number

of persons working, the number of hours worked and the number of years worked. It may very well be that an expansion of the volume of part-time work will offer an employee the material conditions to participate in the labour process and/or to work (longer) more years. In that case the net impact on labour supply will be positive. International evidence shows that part-time work contributes to the increase in the labour market participation rates of certain groups, notably of young people attending school, of married women with dependent children, of disabled people, and of older workers. Cross OECD country correlations show statistically significant relations between the male and female labour market participation rates and the male and female part-time rates (Delsen, 1995). Part-time employment also has a positive impact on the utilization of the available labour potential. Part-time employment reduces the volume of (hidden) unemployment, sick leave, full early retirement, as well as the number of full disability claims and offers older workers the opportunity to remain working, and attracts many individuals who would otherwise not be in the labour force, thus increasing productive capacity. From international evidence (Delsen, 1995; McKinsey, 1994) it can also be concluded that part-time work has a significant positive effect on the productivity of the active labour force. Hence, the promotion of secure and large part-time jobs ameliorates the utilization of the potential labour supply in a country, it broadens the base for financing social expenditures and at the same time reduces the number of benefits drawn.

Important changes in the labour supply as well as on the demand-side of the labour market are taking place away from this full-time, full year concept. At least part-time employment - part day, part week, part month and/or part year - should be the new norm. The provision of a basic, at least part-time, employment for the individual has advantages for the workers, the enterprises and the society as a whole. For the workers there is the ability to participate economically and socially; exclusion is avoided. It also is economically efficient. It contributes to a higher labour market participation rate, to a higher employment/population ratio and hence to a better utilization of available labour resources. Productivity will increase and absenteeism will fall. Less financial resources are needed for those excluded under the old full employment concept. The tax burden and labour costs will decrease, generating employment. The right to work remains upright as it is contained in the United Nations' Universal Declaration of the Rights of Men.

4. Basic Income Right

This basic employment right could then be combined with a basic income, made available to all by the state. The provision of a guaranteed basic income for the individual has advantages for the workers, the enterprises and the society as a whole (Bosworth and Wilson, 1987; Delsen, 1995; Giarini and Stahel, 1993; Kreisky Commission, 1989; Standing, 1989). The basic income gives workers more control over hours worked and implies a right to economic independency. It gives individual workers some bargain leverage. The

uncoupling of some benefits from an occupational activity would have a positive effect on the social protection of the atypical employee. In fact it promotes atypical employment, i.e. part-time employment and on-the-job training, for by reducing the basic income from the wage costs, an incentive is created to distribute the available work. Moreover, the basic income implies for those on flexible employment contracts that they are assured of a minimum income and hence are in a stronger position to demand certain requirements related to work, i.e. pay and working conditions. It, moreover, gives more flexibility to older employees with regard to the time and the extent of retirement. For older workers the 'retirement trap' (part-time job will imply a loss of pension rights or income) is avoided. It encourages more men to work part-time, and could also improve the situation of those caught in 'unemployment traps' (by taking a job they lose benefits that are more or only a little less than the wage income they would earn). The basic income frees people from the compulsion to accept disagreeable and monotonous work, but would also create low incentives to work and potential exclusion from the labour market. However, it can also be argued that the basic income will not reduce the financial incentive for the unemployed to look for work. For the lower paid and the long-term unemployed it may be a help to be freed from the 'poverty trap' (resulting from the fact that working harder for more income they end up worse off because they lose benefits), because even a small bad paid job is always financially advantageous. The actual tax on earnings and the marginal tax on extra earning would go down for a significant segment of the population, notably the low paid

currently in the poverty trap, thus raising the incentive to work; at the same time marginal and especially average tax rates would go up for certain other groups (Walter, 1989). It provides direct incentives for working to supplement the basic income. However, the formal duty to look for work will be abolished. Related to those in employment the basic income may imply a negative impact on mobility. For the low paid the basic income constitutes a considerable part of the total income. So a change of job will be less advantageous. However, research shows that the availability of an attractive job is more important for the mobility of workers, than an income improvement. Moreover, another advantage of a basic income is that the income risk of job changes will be reduced and hence promotes job mobility (Baily et al., 1993; Wilson and Bosworth, 1987). The basic income encourages risk-taking and innovation by individuals, resulting in a positive relationship between equality and efficiency. It not only contributes to a more flexible labour market, it also implies an incentive for labour intensive activities and for self-employed entrepreneurship, encouraging the setting up of small businesses. The present subsidies to start up small enterprises could be removed and unfair competition avoided, resulting in more government revenues.

From an economic point of view the basic income gives employers more opportunities to adjust wages and employment conditions to reflect labour market conditions. The basic income enables the employers to adapt the use of labour more quickly, because of lesser resistance of the employees than in the case of a threat of their income

security. So increasing the labour demand flexibility. It makes various forms of working time reduction, including part-time work, parental and educational leave and gradual retirement more attractive, because the basic income is not reduced. Moreover, the present retirement age (still 65 in most countries) loses its importance and the distinction between before and after 65 vanishes. So it makes collective as well as individual working time reduction financially more attractive, notably for the lower paid. Within the systems of social security the basic income would replace all benefits up to the minimum level. Through this the systems could be simplified. The personal allowance is replaced by a tax credit. Tax is levied on all earnings, and the basic income deducted from the tax bill, or is paid in cash to non-earners. Moreover, the basic income could replace work cum training projects, wage cost subsidies and working with an unemployment benefit. The distinction between real and unreal jobs disappears. Crowding out or substitution of regular employment will be absent. Looking for gainful employment will always be advantageous for the unemployed. The legal minimum wage loses its relevancy (Walter, 1989; Wilson and Bosworth 1987). The basic income offers the opportunity to create a considerable amount of necessary new jobs at the lower level, at a salary below the social minimum, while safeguarding a social minimum standard. However, this positive employment impact will only occur when the tax burden does not increase (see below). The basic income encourages individuals to earn additional taxable income, and some of the informal activities become tax paying formal activities. Black and grey labour is discouraged.

A basic income is often considered to be too expensive. An essential question in relation to the basic income is who pays and the level of the basic income. A financially viable basic income scheme has to be supplemented, topped up, by other earnings (Walter, 1989). The universal grant has to be low enough to leave sufficient incentives to work in a paid job, and high enough to offer a much larger individual freedom of choice. It offers the opportunity to free people for the development of all kinds of useful activities for society. For example, a universal grant, at the social assistance level for a single non-house holder, sufficient to meet the basic needs of those excluded from the labour force by old age or disability, and less than sufficient for everyone else. They will have to top it up by earnings, help from family members, unearned income or state assistance with housing costs. Finance can be found in the reduction and abolition of government subsidies, the abolition of the full social security system, increased indirect taxes, increase of direct taxes, a special mark up and levying on capital (Bosworth and Wilson, 1987). It may also be financed by taxes based on value added instead of labour, implying an incentive for employment growth. Calculations for the United Kingdom show that the example mentioned above could be funded by the taxes paid on earnings in 1985 (See Walter, 1989). In fact, a basic income offers the opportunity to reduce the marginal tax rates. Estimates in the Netherlands (Central Planning Bureau, 1992) show that a fully

individualized basic income for all adults - equal to the level of purchasing power of the 1990 benefit for a single person - to replace the present social security system is financeable. The marginal tax wedge may even go down by 5 percentpoints.

5. Conclusion

Basic employment and basic income are complements, i.e. two sides of the same coin. The introduction of a basic income is the recognition that societies are not in the position to provide everybody with a paid full-time job. It also implies the end of the right to work and the abolition of the obligation to look for work. However, those who are unwilling - unless incapable to perform a part-time job due to mental or physical impairment - to accept a part-time job will lose their entitlements to a basic income. The right to basic part-time employment and the requirement to work part-time, the carrot and the stick, could make a basic income even more feasible. A basic employment and income right can be conceived as an initiative towards a more active labour market policy, or as an improvement of the position of those excluded under the present social security and full-employment system. Full employment again is within reach.

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